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AGENDA ITEM 9b

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Legislative Reports: Holocaust Era and Northern Ireland Annual Reports
- II. PROGRAM:** Public Markets
- III. RECOMMENDATION:** Approve Holocaust Era and Northern Ireland Reports for Transmittal to the Legislature
- IV. ANALYSIS:**

Background

This agenda item seeks approval to submit to the California Legislature the annual Holocaust Era and Northern Ireland Reports, and to forward letters to companies identified in the reports as having unresolved claims or otherwise requiring corrective action.

Previously, CalPERS complied with Government Code section 7550.5 (Stats. 2004, Ch. 409) which implemented a suspension of the preparation and submission of certain reports previously mandated by statute. During this period staff corresponded in writing to the leadership of the California Legislature and to the pertinent legislative committees, to advise them of CalPERS monitoring functions and the availability of both reports on the CalPERS website. By its own provisions, the statute ended on January 1, 2008. After consultation with the CalPERS Government Affairs Office (GOVA), staff will resume complying with the monitoring and full reporting requirements of the two statutes relevant to this agenda item, as originally enacted by the California Legislature in 1999.

Chapter 216, Statutes of 1999 (representing uncodified law), requires CalPERS to monitor and annually report on investment holdings in companies and their affiliates that do business in California and that owe compensation to victims of slave or forced labor during World War II.

Government Code 7513.5 requires CalPERS to investigate and annually report to the Legislature on the extent to which United States and international corporations operating in Northern Ireland, in which CalPERS assets are invested, are adhering to the principles of nondiscrimination in employment and freedom of workplace opportunity in compliance with the laws of Northern Ireland.

CalPERS has contracted with RiskMetrics Group, formerly the Investor Responsibility Research Center, for extensive monitoring and creation of reports on these topics. CalPERS staff has then used the RiskMetrics Group reports to prepare the annual legislative reports. Complete copies of each report are available to the Committee upon request.

Summary

Attachment 1 is a table of CalPERS investments currently facing lawsuits or being accused for using forced labor, subject to the provisions of the Holocaust Era legislation (Chapter 216, Statutes of 1999). Attachment 2 contains CalPERS holdings of publicly traded U.S. and Non-U.S. companies operating in Northern Ireland, subject to the Northern Ireland legislation (Government Code 7513.5).

Attachment 3 is the RiskMetrics Social Issues Service Report to CalPERS on forced or slave labor, which notes that CalPERS' investment in companies that are facing lawsuits over their use of forced or slave labor during World War II is extremely small. The report identifies seven companies in CalPERS' portfolio that are currently facing lawsuits filed in Japan over their alleged use of Chinese or Korean civilians as forced laborers.

Attachment 4 is the RiskMetrics Synopsis of 2008 Survey and Findings, which provides information on CalPERS' portfolio companies with operations in Northern Ireland, relating to workforce composition, fair employment policies and practices (including MacBride Principles), and alleged formal discrimination complaints. The report identifies four companies in CalPERS' portfolio that have repeatedly received formal discrimination grievances (defined as receiving more than one formal complaint that is still pending).

Attachment 5 is a sample letter to be sent to seven companies included in the Holocaust Era Report that are currently facing lawsuits in Japan over their use of Chinese or Korean civilians as forced laborers. The seven companies are: Kajima Corp., Mitsui Mining Co., Nishimatsu Construction Co., Taisei Corp., Tobishima Corp., Mitsubishi Materials Corp., and Mitsui Mining & Smelting.

Attachment 6 is a sample letter to be sent to four companies identified in the Northern Ireland Report that have repeatedly received formal discrimination grievances. The four companies are: Bombardier, Danske Bank, Diageo, and Thales.

Attachments 7 and 8 are sample letters to be sent to the Legislature with complete copies of the 2008 Holocaust Era and Northern Ireland Report.

Once the Committee approves the reports, staff will write to the Legislature, and abovementioned companies, in addition to posting the reports on CalPERS website.

V. STRATEGIC PLAN:

This is not a product of the Strategic Annual Plan.

VI. RESULTS/COSTS:

The cost of services from RiskMetrics Group to compile these reports is \$44,449.

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